

Message Text

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PAGE 01 EC BRU 02108 041751Z
ACTION EUR-12

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PASS AGRICULTURE ELECTRONICALLY

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TAGS: EAGR, EEC
SUBJECT: PROPOSED COMMON MARKET REGULATION FOR HIGH FRUCTOSE CORN
SYRUP (HFCS)

REF: (A) EC BRUSSELS 1437, (B) EC BRUSSELS 1516, (C) 75 EC A-77
(D) 76 EC BRUSSELS A-532

1. SUMMARY: THE EC COMMISSION HAS PROPOSED A COMMON MARKET
ORGANIZATION FOR HFCS, INCLUDING PROVISIONS FOR IMPORT AND
EXPORT LICENSES, LEVIES AND SUBSIDIES, A PRODUCTION TAX, AND
OTHER TRADE PROTECTIVE MEASURES. END SUMMARY.

2. THE SECOND VOLUME OF THE EC COMMISSION S PROPOSALS FOR
1977/78 AGRICULTURAL PRICES CONTAINS THE EXPECTED PROPOSAL
FOR AN EC COUNCIL REGULATION WHICH WOULD CREATE A COMMON
MARKET ORGANIZATION FOR HIGH FRUCTOSE CORN SYRUP. ITS
PROVISIONS REFLECT TO A LARGE EXTENT TREPIDATIONS OF THE EC
BEET SUGAR INDUSTRY AND ANXIETIES OF THE EC COMMISSION
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 EC BRU 02108 041751Z

OVER THE COMPETITIVENESS OF HFCS WITH COMMUNITY SUGAR.
CONSEQUENTLY, THE PROPOSED COMMON MARKET ORGANIZATION
FITS THE TRADITIONAL TRADE PROTECTIVE PATTERN OF EC MARKET
REGULATIONS AND WOULD CONTAIN THE FOLLOWING PROVISIONS:

A. COMMON TRADING SYSTEM. IMPORTS OR EXPORTS OF HFCS
FROM THIRD COUNTRIES WOULD BE SUBJECT TO THE ISSUANCE OF

IMPORT OR EXPORT LICENSES. LEVIES WOULD BE CHARGED ON IMPORTS AND SUBSIDIES GRANTED ON EXPORTS. SUBSIDIES COULD BE FIXED IN ADVANCE. THE ISSUANCE OF IMPORT OR EXPORT LICENSES WOULD BE CONDITIONAL UPON PAYMENT OF A SURETY (DEPOSIT) GUARANTEEING THAT THE PERTINENT TRADE WOULD BE EFFECTED DURING THE PERIOD OF VALIDITY OF THE LICENSE. THE IMPORT LEVY WOULD HAVE FIXED AND VARIABLE COMPONENTS.

B. INWARD PROCESSING ARRANGEMENT. THE USE OF THIS ARRANGEMENT, WHICH PERMITS THE DUTY-FREE IMPORTATION OF A PRODUCT DESTINED FOR PROCESSING AND REEXPORT, WOULD BE PARTLY OR WHOLELY PROHIBITED ON THE BASIS OF A COUNCIL DECISION.

C. SAFEGUARD CLAUSE. THE STANDARD SAFEGUARD CLAUSE PROVISIONS ARE INCLUDED IN THIS PROPOSED REGULATION.

D. PRODUCTION TAX. THE PROPOSAL RECOGNIZES THE COMPETITIVENESS OF LIQUID SUGAR WITH BEET OR CANE SUGAR, TAKES ACCOUNT OF THE COMMUNITY'S SURPLUS SITUATION, AND, THEREFORE, OF THE COMMUNITY'S RELIANCE ON EXPORTS TO RELIEVE THIS SURPLUS SITUATION. IT WOULD THEREFORE PROVIDE A TAX TO BE CHARGED ON THE PRODUCTION OF HFCS, PROCEEDS FROM WHICH WOULD BE USED TO FINANCE SUBSIDIES ON EXPORTS OF COMMUNITY-PRODUCED SUGAR. THE PRODUCTION TAX WOULD REMAIN IN EFFECT FOR 2 YEARS. IT WOULD BE EQUAL TO THE PRODUCTION TAX ON QUOTA QTE B UNQTE SUGAR, PRESENTLY SLIGHTLY MORE THAN 9.00 U.A./100 KGS. IN ANY EVENT, THE TAX PER 100 KGS. OF DRY MATTER COULD NOT EXCEED 30 PERCENT OF THE WHITE SUGAR SUPPORT PRICE. THE COMMISSION S PROPOSED WHITE SUGAR INTERVENTION

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 EC BRU 02108 041751Z

PRICE FOR THE 1977/78 MARKETING YEAR IS 344.20 U.A./M.T. THE BASIS FOR THE 30 PERCENT LIMITATION IS ARTICLE 27, PARAGRAPH 3 OF COUNCIL REGULATION NO. 330/74 (REF. C).

E. MANAGEMENT COMMITTEE. THE STANDARD MANAGEMENT COMMITTEE PROVISIONS WOULD APPLY TO THE PROPOSED REGULATION.

F. INCREASED DUTY PROTECTION. HFCS IS PRESENTLY CLASSIFIED UNDER CXT 17.02 B, BUT NOT SPECIFICALLY IN ANY SUBPARAGRAPH OF THAT TARIFF POSITION BECAUSE THERE IS PROFOUND DISAGREEMENT ON EXACTLY HOW IT SHOULD BE CLASSIFIED. THE COMMISSION WOULD RECLASSIFY HFCS FROM CXT 17.02 B TO CXT 17.02 D1. THIS WOULD EFFECTIVELY MAKE IT SUBJECT TO AN UNBOUND 80 PERCENT DUTY PLUS LEVY INSTEAD OF THE PRESENT UNBOUND 25 TO 50 PERCENT PLUS LEVY.

3. COPIES OF VOLUME II OF THE COMMISSION S PRICE PROPOSALS ARE BEING AIR POUCHED TO ED CASEY, STATE, AND RICHARD SCHROETER, USDA/FAS.

4. COMMENT: U.S. EXPORTS OF HFCS TO THE EC ARE COMPARATIVELY INSIGNIFICANT. THE MAJOR CONCERN OF EC MANUFACTURERS OF HFCS (WET MILLING INDUSTRY) IN THE EC IS DEPENDABLE ACCESS TO REASONABLY-PRICED U.S. CORN, THE RAW MATERIAL SOURCE OF 85 PERCENT OF EC HFCS PRODUCTION. HINTON

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